

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Ensign Township	County Delta
Audit Date 3/31/05	Opinion Date 3/8/06	Date Accountant Report Submitted to State: 4/18/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

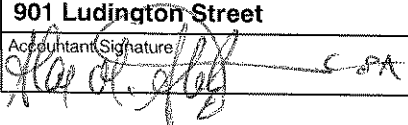
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC			
Street Address 901 Ludington Street		City Escanaba	State MI
Accountant Signature 		ZIP 49829	Date 4/18/06

TOWNSHIP OF ENSIGN

Delta County, Michigan

BASIC FINANCIAL STATEMENTS

Year Ended March 31, 2005

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ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Supervisor and Township Board
Township of Ensign
Delta County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Ensign, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the Township of Ensign prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - cash basis of governmental activities and each major fund of the Township of Ensign, Michigan, as of March 31, 2005, and the respective changes in financial position - cash basis, thereof for the year ended in conformity with the basis of accounting described in Note A.

In accordance with Government Auditing Standards we also issued our report dated March 7, 2006 on our consideration of Ensign Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of

our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3-9 and the budgetary comparisons on pages 23-26 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Ensign's basic financial statements. The schedules listed as supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Andersey, Tackman & Company P.C.
Certified Public Accountants

March 8, 2006

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Ensign Township's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2005. Please read it in conjunction with the Township's financial statements, which begin on page 11.

The Ensign Township's discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the township's financial activity; (c) identify changes in the township's financial position (its ability to address the next and subsequent year challenges); (d) identify any material deviations from the approved budget; and (e) identify any issues or concerns. This is the first year the township has reported under GASB 34, therefore, no comparisons with prior year will be made. In future years, comparative information will be presented in various schedules throughout the MD&A.

FINANCIAL HIGHLIGHTS

- Net assets for the Township were reported at \$445,101. Net assets invested in capital assets, net of related debt is \$299,756 or 67% of total net assets, while unrestricted net assets in our governmental activities were \$145,345 or 33% of total net assets.
- The Township's expenses for the year totaled \$248,834, while revenues from all sources totaled \$160,777, resulting in a decline in net assets of \$88,057.
- The General Fund reported a decline in fund balance of \$14,250 (or 20%), while the Fire Department Fund reported a decline in fund balance of \$73,807 (or 46%). The decline in the Fire Department Fund was primarily due to expenditures surrounding the purchase of a new fire truck.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 11 and 12, respectively) provide information about the activities of the Township as a whole and present a longer term view of the Township's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The remaining statement provides financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the Township.

Reporting the Township as a Whole

Statement of Net Assets and the Statement of Activities

Our analysis of the Township as a whole begins on page 5. One of the most important questions asked about the Township's finances; "Is the Township as a whole better off or in worse condition as

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's net assets and changes in them. You can think of the Township's net assets- the difference between assets and liabilities- as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's property tax base to assess the *overall financial health* of the Township.

In the Statement of Net Assets and the Statement of Activities, the Township has only one category of activity:

- Governmental activities - Most of the Township's basic services are reported here including legislative, public safety, highway and transportation, capital outlay, and general administration. Property taxes and state shared revenues make up the majority of revenue for these activities.

Reporting the Township's Most Significant Funds

Fund Financial Statements

Our analysis of the Township's major funds begin on page 7. The fund financial statements begin on page 14 and provide detailed information on the most significant funds - not the Township as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Township Board of Trustees may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money. The Township has only one fund-type; that is the governmental fund type.

- *Governmental funds* - Most of the Township's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

The Township as a Trustee

The Township is the trustee, or *fiduciary*, for tax receipts and other collections, which are collected for other agencies and held for a periodic payment to those agencies. The Township's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 15. We exclude these funds from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The Township as a Whole

The Township's net combined assets declined by \$88,057.

Table 1
Net Assets

	Governmental Activities 2005
Assets:	
Current and other assets	\$ 145,345
Capital assets(net)	<u>368,756</u>
Total Assets	<u>\$ 514,101</u>
Liabilities:	
Current liabilities	3,000
Long-term debt outstanding	<u>66,000</u>
Total Liabilities	<u>\$ 69,000</u>
Net Assets:	
Invested in capital assets, net of related debt	299,756
Expendable:	
Special Revenue	-
Unrestricted	<u>145,345</u>
Total net assets	<u>\$ 445,101</u>

Unrestricted net assets are the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

Table 2
Changes in Net Assets

	Governmental Activities <u>2005</u>
Revenues:	
Program Revenues:	
Charges for services	\$ 5,868
General Revenues:	
Property taxes	55,524
State sources	52,475
Grant proceeds	28,856
Interest and rent	1,535
Other sources	<u>16,519</u>
Total Revenues	<u>160,777</u>
Program Expenses:	
General government	46,857
Public safety	31,818
Highways, streets and bridges	51,100
Capital Outlay	<u>118,846</u>
Total Expenses	<u>248,834</u>
Increase (decrease) in net assets	(88,057)
Net assets - beginning	<u>233,402</u>
Net assets - ending	<u>\$ 145,345</u>

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

Governmental Activities

Revenues for the Township's governmental activities totaled \$160,777, while expenses were \$248,834. The excess of expenses over revenue was \$88,057. Table three below reflects the cost of each of the Township's four largest activities; General government, Public safety, Highways, streets and bridges, and Capital outlay, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

Table 3
Government Activities

	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
General government	46,857	46,857
Public safety	31,818	31,818
Highways, streets and bridges	51,100	51,100
Capital outlay	<u>118,846</u>	<u>89,990</u>
Totals	<u>\$ 248,621</u>	<u>\$ 219,765</u>

THE TOWNSHIP'S FUNDS

The focus of the governmental funds of the Township is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the Township's net resources available for spending at the end of the fiscal year.

For the current fiscal year the Township's governmental funds reported total fund balance of \$445,101, of which \$145,345 is unreserved.

General Fund Budgetary Highlights

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the township proposes a budget for each fund and is then considered by the Township Board.
2. The proposed budgets include expenditures as well as Contingency funds estimated for the next budget year.
3. Budgets are adopted in April by majority vote of the Township Board.
4. Budgets are adopted on the modified accrual basis of accounting.
5. The original budget may be amended during the year by majority vote by Township Board.
6. The adopted budgets are used as management control during the year for all funds.
7. Budget appropriations lapse at end of fiscal year.

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended March 31, 2005, the Township had \$368,756, net of accumulated depreciation, invested in a variety of capital assets including land, buildings and improvements, office equipment and fixtures, and fire department equipment. (See table 4 below):

Table 4
Capital Assets at Year-End
(Net of accumulated depreciation)

	Governmental Activities <u>2005</u>
Land	\$ 2,000
Buildings and improvements	8,416
Office equipment and fixtures	2,695
Fire department equipment	<u>355,645</u>
Total	<u>\$ 368,756</u>

DEBT

At year-end the Township had \$69,000 in notes outstanding.

Table 5
Outstanding Debt at Year-End

	Governmental Activities <u>2005</u>
Note Payable:	
Tanker truck	\$ 69,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Township Board and Township management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services.

In preparing the Township's budget for the year ended March 31, 2006, we looked at the past year's budget as well as the last two complete years' actual revenues and expenditures and prepared our budget from these documents, with increases and decreases where necessary.

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the Township Clerk at P.O. Box 7, Rapid River, MI 49878.

TOWNSHIP OF ENSIGN

STATEMENT OF NET ASSETS

March 31, 2005

ASSETS

Current assets:

Cash and cash equivalents:

Unrestricted

\$ 116,489

Restricted

28,856

TOTAL CURRENT ASSETS

145,345

Noncurrent assets:

Capital assets, net of
accumulated depreciation

368,756

TOTAL ASSETS

\$ 514,101

LIABILITIES

Current liabilities:

Long-term liabilities due within one year:

Notes payable

\$ 3,000

Long-term liabilities:

Notes payable

66,000

TOTAL LIABILITIES

69,000

NET ASSETS

Invested in capital assets, net of related debt

299,756

Restricted for:

Expendable:

Special revenue

-

Unrestricted

145,345

TOTAL NET ASSETS

445,101

TOTAL LIABILITIES AND NET ASSETS

\$ 514,101

See accompanying notes to financial statements.

TOWNSHIP OF ENSIGN

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES**

For the year ended March 31, 2005

	Governmental Fund Types <u>Cash Basis</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
REVENUES:			
Taxes	\$ 55,524	\$ -	\$ 55,524
State sources	52,475	-	52,475
Charges for services	5,868	-	5,868
Interest and rent	1,535	-	1,535
Grant proceeds	28,856	-	28,856
Other	<u>16,519</u>	<u>-</u>	<u>16,519</u>
Total Revenues	<u>160,777</u>	<u>-</u>	<u>160,777</u>
EXPENDITURES:			
General government	46,857	-	46,857
Public safety	31,818	-	31,818
Highways, streets and bridges	51,100	-	51,100
Capital outlay	118,846	(117,429)	1,417
Depreciation	-	7,437	7,437
Other	<u>213</u>	<u>-</u>	<u>213</u>
Total Expenditures	<u>248,834</u>	<u>(109,992)</u>	<u>138,842</u>
OTHER FINANCING SOURCES:			
Operating transfers in	1,143	(1,143)	-
Operating transfers out	<u>(1,143)</u>	<u>1,143</u>	<u>-</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(88,057)	109,992	21,935
Fund balance/net assets - Beginning	<u>233,402</u>	<u>189,764</u>	<u>423,166</u>
FUND BALANCE/NET ASSETS- ENDING	<u>\$ 145,345</u>	<u>\$ 299,756</u>	<u>\$ 445,101</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are capitalized and allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$117,429) exceeded depreciation (\$7,437)

\$ 109,992

Total adjustments

\$ 109,992

See accompanying notes to financial statements.

TOWNSHIP OF ENSIGN

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET ASSETS

March 31, 2005

Total fund balances for governmental funds \$ 145,345

Total net assets reported for governmental
activities in the statement of net assets
is different because:

Capital assets used in governmental
activities are not financial resources
and therefore are not reported in the
funds. Those assets consist of:

Land	2,000
Buildings and improvements	95,289
Office equipment and fixtures	16,476
Fire department equipment	501,646
Accumulated depreciation	<u>(246,655)</u>

Total capital assets 368,756

Long-term liabilities applicable to the
Township's governmental activities are not
due and payable in the current period and
accordingly are not reported as fund
liabilities. Interest on long-term debt
is not accrued in governmental funds, but
rather is recognized as an expenditure
when due. All liabilities, both current
and long-term, are reported in the
statement of net assets.

Notes payable (69,000)

Total net assets of governmental activities \$ 445,101

See accompanying notes to financial statements.

TOWNSHIP OF ENSIGN

GOVERNMENTAL FUND TYPES
BALANCE SHEET - CASH BASIS

March 31, 2005

	<u>General</u>	<u>Special Revenue</u>
<u>ASSETS</u>		
Cash and equivalents:		
Unrestricted	\$ 58,495	\$ 57,994
Restricted	<u>-</u>	<u>28,856</u>
 TOTAL ASSETS	 <u>\$ 58,495</u>	 <u>\$ 86,850</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Fund balance:		
Reserved for loans	\$ -	\$ 28,856
Unreserved:		
Undesignated	<u>58,495</u>	<u>57,994</u>
 TOTAL FUND BALANCE	 <u>\$ 58,495</u>	 <u>\$ 86,850</u>

See accompanying notes to financial statements.

TOWNSHIP OF ENSIGN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

March 31, 2005

ASSETS

Current assets:

Cash and cash equivalents:

Unrestricted \$ 2,278

LIABILITIES

Payroll tax liabilities \$ 941

Undistributed taxes and interest:

Township of Ensign 1,337

Total current liabilities \$ 2,278

See accompanying notes to financial statements.

TOWNSHIP OF ENSIGN

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Ensign, located in Delta County, Michigan provides governmental services to its residents in areas including community enrichment and development, conducting elections, providing fire protection and other human services. The Township is a governmental entity and includes no component units.

The accounts of the Township have been maintained in accordance with the balanced fund principles of accounting for governmental units. During the year the Township adopted the Governmental Accounting Standards Board (GASB) Statement No. 34, which substantially revised the financial statement presentation. The following is a summary of the more significant policies and financial reporting descriptions:

- (1) Government-Wide Financial Statements - The Statement of Net Assets and Statement of Activities display information about the Township as a whole. They include all funds of the Township except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods or services provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

- (2) Fund Accounting - The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial report into three generic fund types within two broad categories as follows:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

TOWNSHIP OF ENSIGN

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

FIDUCIARY FUNDS

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governmental and/or other funds. Trust and Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

- (3) Basis of Accounting - The Township of Ensign prepares its basic financial statements on the cash basis method of accounting. The cash basis is a comprehensive basis of accounting other than generally accepted accounting principles whereby revenues are recorded when received rather than when earned, and expenses are recorded when paid rather than when the liability is incurred.
- (4) Budgets and Budgetary Accounting - The following procedures are followed in establishing the budgetary data reflected in these financial statements.
- a. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
 - b. The proposed budgets include expenditures as well as the methods of financing them.
 - c. Public hearings are held to obtain taxpayer comments.
 - d. The budgets are adopted at the activity level by a majority vote of the Township Board.
 - e. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
 - f. The adopted budgets are used as a management control device during the year for all budgetary funds.
 - g. Budget appropriations lapse at the end of each fiscal year.
 - h. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF ENSIGN

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- (5) Property Taxes - Property taxes levied attach as an enforceable lien on property. The Township bills and collects its own property taxes and also the taxes for the local school district, the Intermediate School District, and the County. Collections and remittances for all taxes are accounted for in the trust and agency fund. The Township's 2004 tax roll millage rate was 2.2514 and the taxable value was \$21,891,737.
- (6) Capital Assets - Capital assets, which include property, buildings, equipment and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Township has elected not to report, nor is it required to report, its major general infrastructure assets per GASB Statement No. 34.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the Township is depreciated using the straight-line method over the estimated useful lives of assets.

- (7) Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH AND EQUIVALENTS

The composition of cash and equivalents as reported on the Statement of Net Assets for the Township are presented below. All deposits are carried at cost which approximates market value. The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the reporting entity's cash deposits are reported as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Deposits:		
Insured (FDIC)	\$ 145,345	\$ 98,415
Uninsured	-	-
TOTAL OF CASH AND EQUIVALENTS	<u>\$ 145,345</u>	<u>\$ 98,415</u>
Government-Wide Statement of Net Assets presentation:		
Cash and equivalents:		
Unrestricted	\$ 116,489	
Restricted	28,856	
Fiduciary Statement of Net Assets presentation:		
Cash and equivalents:		
Restricted	<u>2,278</u>	
TOTAL	<u>\$ 147,623</u>	

TOWNSHIP OF ENSIGN

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE B- CASH AND EQUIVALENTS (continued)

State statutes authorize the township to deposit and invest in the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States;
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution;
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase;
- d. Repurchase agreements consisting of instruments listed in subdivision (a);
- e. Banker's acceptance of United States banks;
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service;
- g. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 1. The purchase of securities on a when-issued delivery basis;
 2. The ability to lend portfolio securities as long as the mutual fund receives collateral all times equal to at least 100% of the securities loaned;
 3. The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes;
- h. Obligations described in subdivision (a) through (g) if purchased through an interlocal agreement under the urban cooperation of 1967, MCL 124.501 to 124.512;
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118;
- j. The investment pools organized under the local government investment pool act, MCL 129.141 to 129.150.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

TOWNSHIP OF ENSIGN

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE C - RESTRICTED CASH

Restricted cash, as listed in the General Fund, is restricted for the purpose of paying down the loan balance with the financing agreement with Rural Development. The restricted cash balance as of March 31, 2005 of \$28,856 represents monies received from a U.S. grant to assist in paying down the finance agreement.

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2005, is as follows:

	Balance at 04/01/04	Additions	Disposals	Balance at 03/31/05
Assets not subject to depreciation:				
Land	\$ 2,000	\$ -	-	\$ 2,000
Governmental activities:				
Buildings and improvements	95,289	-	-	95,289
Office equipment and fixtures	16,476	-	-	16,476
Fire department equipment	147,073	354,573	-	501,646
Total capital assets	258,838	354,573	-	613,411
Less accumulated depreciation:				
Buildings and improvements	85,190	1,683	-	86,873
Office equipment and fixtures	11,176	2,605	-	13,781
Fire department equipment	142,852	3,149	-	146,001
Total accumulated depreciation	239,218	7,437	-	246,655
Net governmental activities capital assets	\$ 21,620	\$ 347,136	\$ -	\$ 368,756

Depreciation expense was charged to the governmental activities as follows:

General government	\$ 2,605
Public safety	<u>4,832</u>
Total governmental activities depreciation expense	<u>\$ 7,437</u>

NOTE D - LONG-TERM DEBT

The note payable reflected in the government-wide financial statements was incurred for the purchase of a fire truck tanker. The purchase price of the tanker was \$119,424 and the original amount of the loan was \$69,000. The note is payable to Rural Development, in annual installments varying from \$3,000 to \$6,000 including interest calculated at 4.5%. The note is secured by the trucks.

The following is a summary of the long-term debt activity for the year:

Balance 3/31/2004	Additions	Retirements	Balance 3/31/2005
\$ -	\$ 69,000	\$ -	\$ 69,000

TOWNSHIP OF ENSIGN

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE E - LONG-TERM DEBT (continued)

A schedule of the principal and interest payments on this note is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
03/31/06	\$ 3,000	\$ 2,909	\$ 5,909
03/31/07	3,000	2,970	5,970
03/31/08	4,000	2,835	6,835
03/31/09	4,000	2,655	6,655
03/31/10	4,000	2,475	6,475
03/31/11 to 03/31/15	23,000	9,540	32,540
03/31/16 to 03/31/30	<u>28,000</u>	<u>3,915</u>	<u>31,915</u>
TOTAL	<u>\$ 69,000</u>	<u>\$ 27,299</u>	<u>\$ 96,299</u>

NOTE F - PENSION PLAN

The township provides pension benefits for its officers through a defined contribution money purchase plan administered by Municipal Retirement Systems, Inc. The flexible annuity plan is offered in lieu of Social Security coverage and participation is voluntary. Participants contributions are immediately vested. The total contribution rate is 15% of wages, funded equally by the Township at 7.5% and the participant at 7.5%. Additional information required by GASB Statement #5 was not available.

NOTE G - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE H - ALLEGED MISAPPROPRIATION OF FUNDS

Subsequent to the year-end there was a discovery of alleged misappropriation of funds. The amount of the questionable transactions approximated \$37,000, with the majority of the activity coming from the Raffle Account, which was outside of the Township's control. As of the date of this report the matter had not been settled. Consequently, any amounts that the Township may receive from the resolution of this matter are not certain.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF ENSIGN

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - CASH BASIS - BUDGET AND ACTUAL

For the year ended March 31, 2005

	<u>Budgeted Amount</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Favorable (Unfavorable)
REVENUES:				
Taxes:				
Current property taxes	\$ 15,993	\$ 15,993	\$ 15,993	\$ -
Delinquent property taxes	1,492	1,492	1,492	-
PILT	<u>5,815</u>	<u>5,815</u>	<u>5,815</u>	<u>-</u>
Total taxes	<u>23,300</u>	<u>23,300</u>	<u>23,300</u>	<u>-</u>
State source:				
State revenue sharing	<u>52,475</u>	<u>52,475</u>	<u>52,475</u>	<u>-</u>
Charges for services:				
Administration fee	5,867	5,867	5,867	-
Land division	<u>105</u>	<u>105</u>	<u>1</u>	<u>(104)</u>
Total charges for services	<u>5,972</u>	<u>5,972</u>	<u>5,868</u>	<u>(104)</u>
Interest and rent	<u>1,109</u>	<u>1,109</u>	<u>1,134</u>	<u>25</u>
TOTAL REVENUES	<u>82,856</u>	<u>82,856</u>	<u>82,777</u>	<u>(79)</u>
EXPENDITURES:				
General government:				
Legislative - Township Board:				
Salaries			159	
Contracted services			1,713	
Printing and publishing			18	
Miscellaneous	<u>8,200</u>	<u>8,200</u>	<u>608</u>	<u>5,702</u>
Total Legislative	<u>8,200</u>	<u>8,200</u>	<u>2,498</u>	<u>5,702</u>
Executive - supervisor:				
Supplies			422	
Tax roll	<u>15,000</u>	<u>15,000</u>	<u>1,144</u>	<u>13,434</u>
Total Executive - Supervisor	<u>15,000</u>	<u>15,000</u>	<u>1,566</u>	<u>13,434</u>
Clerk:				
Supplies	<u>8,500</u>	<u>8,500</u>	<u>869</u>	<u>7,631</u>
Total Clerk	<u>8,500</u>	<u>8,500</u>	<u>869</u>	<u>7,631</u>

See accompanying notes to financial statements.

TOWNSHIP OF ENSIGN

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - CASH BASIS - BUDGET AND ACTUAL

For the year ended March 31, 2005

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Treasurer:				
Supplies	\$	\$	{ \$ 844	\$
Tax roll			2,521	
Mileage	<u>12,500</u>	<u>12,500</u>	<u>428</u>	<u>8,707</u>
Total Treasurer	<u>12,500</u>	<u>12,500</u>	<u>3,793</u>	<u>8,707</u>
Election:				
Supplies			{ 1,025	
Printing and publishing	<u>6,000</u>	<u>6,000</u>	<u>128</u>	<u>4,847</u>
Total printing and publishing	<u>6,000</u>	<u>6,000</u>	<u>1,153</u>	<u>4,847</u>
Town Hall:				
Supplies			{ 68	
Telephone			375	
Electricity			968	
Propane			729	
Repairs	<u>8,000</u>	<u>7,524</u>	<u>772</u>	<u>4,612</u>
Total town hall	<u>8,000</u>	<u>7,524</u>	<u>2,912</u>	<u>4,612</u>
Other:				
FSS-EMS			{ 1,576	
Insurance and bonds			8,476	
Payroll expenses	<u>16,500</u>	<u>16,976</u>	<u>24,014</u>	<u>(17,090)</u>
Total Other	<u>16,500</u>	<u>16,976</u>	<u>34,066</u>	<u>(17,090)</u>
Total general government	<u>74,700</u>	<u>74,700</u>	<u>46,857</u>	<u>27,843</u>
Highways, streets, and bridges:				
Contracted services - roads	<u>66,631</u>	<u>66,631</u>	<u>51,100</u>	<u>15,531</u>
Other:				
Contingency	20,000	20,000	-	20,000
Cemetery	<u>1,000</u>	<u>1,000</u>	<u>213</u>	<u>787</u>
Total Other	<u>21,000</u>	<u>21,000</u>	<u>213</u>	<u>20,787</u>
TOTAL EXPENDITURES	<u>162,331</u>	<u>162,331</u>	<u>98,170</u>	<u>64,161</u>

See accompanying notes to financial statements.

TOWNSHIP OF ENSIGN

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - CASH BASIS - BUDGET AND ACTUAL

For the year ended March 31, 2005

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Favorable (Unfavorable)
EXCESS REVENUES (EXPENDITURES)	\$ (79,475)	\$ (79,475)	\$ (15,393)	\$ 64,082
OTHER FINANCING SOURCES (USES); Operating transfers in (out)	<u>(12,934)</u>	<u>(12,934)</u>	<u>1,143</u>	<u>14,077</u>
EXCESS REVENUES (EXPENDITURES AND OTHER FINANCING USES)	(92,409)	(92,409)	(14,250)	78,159
Fund balance, beginning of year	<u>92,409</u>	<u>92,409</u>	<u>72,745</u>	<u>(19,664)</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,495</u>	<u>\$ 58,495</u>

See accompanying notes to financial statements.

TOWNSHIP OF ENSIGN

**FIRE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - CASH BASIS - BUDGET AND ACTUAL**

For the year ended March 31, 2005

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 32,224	\$ 32,224	\$ 32,224	\$ -
Interest income	220	220	401	181
Grant proceeds	-	-	28,856	28,856
Other:				
Contributions	16,519	16,519	8,814	(7,705)
Reimbursements	29,311	29,311	7,250	(22,061)
Miscellaneous	<u>7,295</u>	<u>7,295</u>	<u>455</u>	<u>(6,840)</u>
TOTAL REVENUES	<u>85,569</u>	<u>85,569</u>	<u>78,000</u>	<u>(7,569)</u>
EXPENDITURES:				
Public safety:				
Fire chief	1,500	1,500	1,500	-
Operating supplies	3,000	3,000	3,848	(848)
Education	1,347	1,347	-	1,347
Electricity and heat	4,000	4,000	1,640	2,360
Telephone	150	150	-	150
Insurance	8,000	8,000	9,274	(1,274)
Maintenance	5,000	5,000	7,892	(2,892)
Mileage	500	500	21	479
Miscellaneous	500	500	7,643	(7,143)
Capital outlay				
New equipment	96,571	96,571	118,846	(22,275)
Building	<u>4,000</u>	<u>4,000</u>	<u>-</u>	<u>4,000</u>
TOTAL EXPENDITURES	<u>124,568</u>	<u>124,568</u>	<u>150,664</u>	<u>(26,096)</u>
EXCESS REVENUES (EXPENDITURES)	(38,999)	(38,999)	(72,664)	(33,665)
OTHER FINANCING SOURCES (USES);				
Operating transfers out	<u>(9,547)</u>	<u>(9,547)</u>	<u>(1,143)</u>	<u>8,404</u>
EXCESS REVENUES AND OTHER				
FINANCING SOURCES (EXPENDITURES)	(48,546)	(48,546)	(73,807)	(25,261)
Fund balance, beginning of year	<u>48,546</u>	<u>48,546</u>	<u>160,386</u>	<u>111,840</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,579</u>	<u>\$ 86,579</u>

See accompanying notes to financial statements.

SUPPLEMENTAL INFORMATION

TOWNSHIP OF ENSIGN

ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET - CASH BASIS

March 31, 2005

	<u>Fire Fund</u>	<u>Ogontz Cemetery Fund</u>	<u>Totals</u>
ASSETS:			
Cash and equivalents	<u>\$ 86,579</u>	<u>\$ 271</u>	<u>\$ 86,850</u>
FUND EQUITY:			
Fund balance - unreserved	<u>\$ 86,579</u>	<u>\$ 271</u>	<u>\$ 86,850</u>

See accompanying notes to financial statements.

TOWNSHIP OF ENSIGN

ALL SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE - CASH BASIS

For the year ended March 31, 2005

	<u>Fire Fund</u>	<u>Ogontz Cemetery Fund</u>	<u>Totals</u>
REVENUES:			
Taxes	\$ 32,224	\$ -	\$ 32,224
Interest income	401	-	401
Grant proceeds	28,856	-	28,856
Contributions	8,814	-	8,814
Reimbursements	7,250	-	7,250
Miscellaneous	<u>455</u>	<u>-</u>	<u>455</u>
TOTAL REVENUES	<u>78,000</u>	<u>-</u>	<u>78,000</u>
EXPENDITURES:			
Public Safety:			
Fire chief	1,500	-	1,500
Operating supplies	3,848	-	3,848
Electricity and heat	1,640	-	1,640
Insurance	9,274	-	9,274
Maintenance	7,892	-	7,892
Mileage	21	-	21
Miscellaneous	7,643	-	7,643
Capital outlay:			
New equipment	<u>118,846</u>	<u>-</u>	<u>118,846</u>
TOTAL EXPENDITURES	<u>150,664</u>	<u>-</u>	<u>150,664</u>
EXCESS REVENUES (EXPENDITURES)	(72,664)	-	(72,664)
OTHER FINANCING SOURCES:			
Operating transfers out	<u>(1,143)</u>	<u>-</u>	<u>(1,143)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES)	(73,807)	-	(73,807)
Fund balance, beginning of year	<u>160,386</u>	<u>271</u>	<u>160,657</u>
FUND BALANCE, END OF YEAR	<u>\$ 86,579</u>	<u>\$ 271</u>	<u>\$ 86,850</u>

See accompanying notes to financial statements.

TOWNSHIP OF ENSIGN

TRUST AND AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES - CASH BASIS

March 31, 2005

	<u>Balance</u> <u>04/01/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>03/31/05</u>
<u>TRUST AND</u> <u>AGENCY FUND</u>				
Assets:				
Cash	<u>\$ 7,056</u>	<u>\$ 3,959</u>	<u>\$ 10,074</u>	<u>\$ 941</u>
Liabilities:				
Pension and payroll taxes withheld	<u>\$ 7,056</u>	<u>\$ 3,959</u>	<u>\$ 10,074</u>	<u>\$ 941</u>
<u>CURRENT TAX</u> <u>COLLECTION FUND</u>				
Assets:				
Cash	<u>\$ 2,405</u>	<u>\$ 718,806</u>	<u>\$ 719,874</u>	<u>\$ 1,337</u>
Liabilities:				
Undistributed taxes and interest:				
Township of Ensign:				
General Fund	\$ 2,405	\$ 22,106	\$ 23,174	\$ 1,337
Fire Fund	-	30,140	30,140	-
Intermediate				
School District	-	49,442	49,442	-
Delta County	-	259,188	259,188	-
Delta County - CFR	-	1,599	1,599	-
School District	-	284,794	284,794	-
Community College	-	71,537	71,537	-
TOTAL LIABILITIES	<u>\$ 2,405</u>	<u>\$ 718,806</u>	<u>\$ 719,874</u>	<u>\$ 1,337</u>

(continued)

See accompanying notes to financial statements.

TOWNSHIP OF ENSIGN

TRUST AND AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES - CASH BASIS

March 31, 2005

	<u>Balance</u> <u>04/01/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>03/31/05</u>
<u>TOTALS - ALL</u> <u>TRUST AND</u> <u>AGENCY FUNDS</u>				
Assets:				
Cash	<u>\$ 9,461</u>	<u>\$ 722,765</u>	<u>\$ 729,948</u>	<u>\$ 2,278</u>
Liabilities:				
Pension and payroll taxes withheld	\$ 7,056	\$ 3,959	\$ 10,074	\$ 941
Undistributed taxes and interest:				
Township of Ensign:				
General Fund	2,405	22,106	23,174	1,337
Fire Fund	-	30,140	30,140	-
Intermediate				
School District	-	49,442	49,442	-
Delta County	-	259,188	259,188	-
Delta County - CFR	-	1,599	1,599	-
School District	-	284,794	284,794	-
Community College	-	71,537	71,537	-
TOTAL LIABILITIES	<u>\$ 9,461</u>	<u>\$ 722,765</u>	<u>\$ 729,948</u>	<u>\$ 2,278</u>

See accompanying notes to financial statements.

TOWNSHIP OF ENSIGN

ANALYSIS OF 2004 TAX LEVY AND COLLECTIONS

For the year ended March 31, 2005

	<u>Delta County</u>	<u>County Extra Voted</u>	<u>Intermedi- ate School District</u>	<u>Rapid River Public School Operations</u>
Taxable value	\$21,891,737	\$21,891,737	\$21,891,737	\$8,655,372
Tax rate per \$1,000 of state equalized value	<u>5.0748</u>	<u>1.4707</u>	<u>2.4191</u>	<u>17.6734</u>
TAX LEVY	111,096	32,196	52,958	152,970
Less:				
Taxes returned delinquent	<u>(7,366)</u>	<u>(2,134)</u>	<u>(3,511)</u>	<u>(8,623)</u>
TOTAL TAXES COLLECTED	103,730	30,062	49,447	144,347
Add:				
Delinquent personal property taxes	(2,681)	-	(5)	-
Collection fees	-	-	-	-
Commercial forest	<u>1,599</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COLLECTIONS	102,648	30,062	49,442	144,347
Less:				
Distribution of col- lections to taxing units	<u>(102,648)</u>	<u>(30,062)</u>	<u>(49,442)</u>	<u>(144,347)</u>
UNDISTRIBUTED TAXES AND INTEREST	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

See accompanying notes to financial statements.

<u>Rapid River Public Schools Debt</u>	<u>Township of Ensign</u>	<u>Township Fire Department</u>	<u>State Education Tax</u>	<u>Bay De Noc Community College</u>	<u>Totals</u>
\$21,891,737	\$21,891,737	\$21,891,737	\$21,891,737	\$21,891,737	
<u>7.0000</u>	<u>.7766</u>	<u>1.4748</u>	<u>6.0000</u>	<u>3.5000</u>	
153,242	17,001	32,286	131,350	76,621	\$ 759,720
<u>(10,160)</u>	<u>(1,868)</u>	<u>(2,140)</u>	<u>(4,873)</u>	<u>(5,079)</u>	<u>(45,754)</u>
143,082	15,133	30,146	126,477	71,542	713,966
(2,636)	2,461	(5)	-	(5)	(2,871)
-	5,867	-	-	-	5,867
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,599</u>
140,446	23,461	30,141	126,477	71,537	718,561
<u>(140,446)</u>	<u>(22,124)</u>	<u>(30,141)</u>	<u>(126,477)</u>	<u>(71,537)</u>	<u>(717,224)</u>
<u>\$ -</u>	<u>\$ 1,337</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,337</u>

See accompanying notes to financial statements.

COMPLIANCE SECTION



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA
Christina A. Smigowski, CPA

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the Township Board
Township of Ensign
Delta County, Michigan

We have audited the financial statements of the governmental activities of the Township of Ensign, Delta County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated March 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance - As part of obtaining reasonable assurance about whether the Township of Ensign, Delta County, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting - In planning and performing our audit, we considered the Township of Ensign, Delta County, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level that risk that misstatements in amounts that would be material

in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Township of Ensign, Delta County, Michigan, in a separate letter dated March 8, 2006.

This report is intended solely for the information and use of the audit committee, management and others within the organization and pass through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Anderson, Tackman & Company P.A.C.
Certified Public Accountants

March 8, 2006



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA
Christina A. Smigowski, CPA

REPORT TO MANAGEMENT

Honorable Supervisor and Township Board
Township of Ensign
Delta County, Michigan

Audit Committee Communications

We have audited the financial statements of the Township of Ensign, Delta County, for the year ended March 31, 2005, and have issued our reports thereon dated March 8, 2006. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated November 24, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Township of Ensign. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Township of Ensign's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for the selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township of Ensign are described in Note A of the financial statements.

Significant Accounting Policies (continued)

During the current year, the Township prepared their financial statements in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, which significantly changes the financial reporting format for the Township. We noted no transactions entered into by the Township of Ensign during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgement and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of these estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates. The most sensitive estimates affecting the financial statements were the useful lives of property and equipment for the purpose of calculating depreciation.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, do not have a significant effect on the financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements of the Township of Ensign, or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant advise us as to determine if the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Honorable Supervisor and Township Board
Township of Ensign

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Ensign's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in the performance of our audit.

In planning and performing our audit of financial statements of the Township of Ensign for the year ended March 31, 2005, we considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated March 8, 2006 on the financial statements of the Township of Ensign.

We have already discussed many of these comments and recommendations with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the use of the Township of Ensign and management of the Township and is not intended to be and should not be used by anyone other than those specified parties.

Andersey, Tackman & Company P.L.C.

Certified Public Accountants

March 8, 2006

TOWNSHIP OF ENSIGN

COMMENTS AND RECOMMENDATIONS

March 31, 2005

FIXED ASSETS

We noted during our audit that the fixed asset listing contains some assets of relatively small dollar amounts. We recommend that the board establish a dollar threshold that would apply to whether an asset would be capitalized and included on the list or excluded. As an example, the Board could set a threshold at \$1,000 and any asset purchased that cost more than that would be included on the fixed asset listing and any asset costing less would be excluded and thus an expenditure. This policy would allow for time savings with respect to maintaining the fixed asset listing.

MINUTES

We noted during our audit that the board approves the bills to be paid each month. This is a good internal control. To enhance this control we would recommend that the range of checks and the dollar value of the checks, in total, be listed in the minutes to allow verification to the monthly check registers.

GENERAL LEDGER

We noted during our audit that the general ledger for all of the funds is kept together. We recommend that the board consider segregating them, by fund, so that individual fund trial balances may be printed out for financial analysis and review.

WAGE EXPENSE DETAIL

On the general ledger we noted that all payroll is put into one expenditure account. We recommend that these be segregated into the applicable individual departments to allow for greater financial detail.

BANK STATEMENT RECONCILIATIONS

Bank reconciliations should be performed for each bank on a monthly basis (or as often as a bank statement is received, as with the case of some of the savings accounts). Furthermore, these reconciliations should be reviewed by someone independent of their preparation.

CHECK REGISTER

A check register was not available for the tax account of the Township. Activity being deposited and disbursed from this account should be documented on a check register or, at least, in a separate cash line in a separate fund of the Township's financial records.